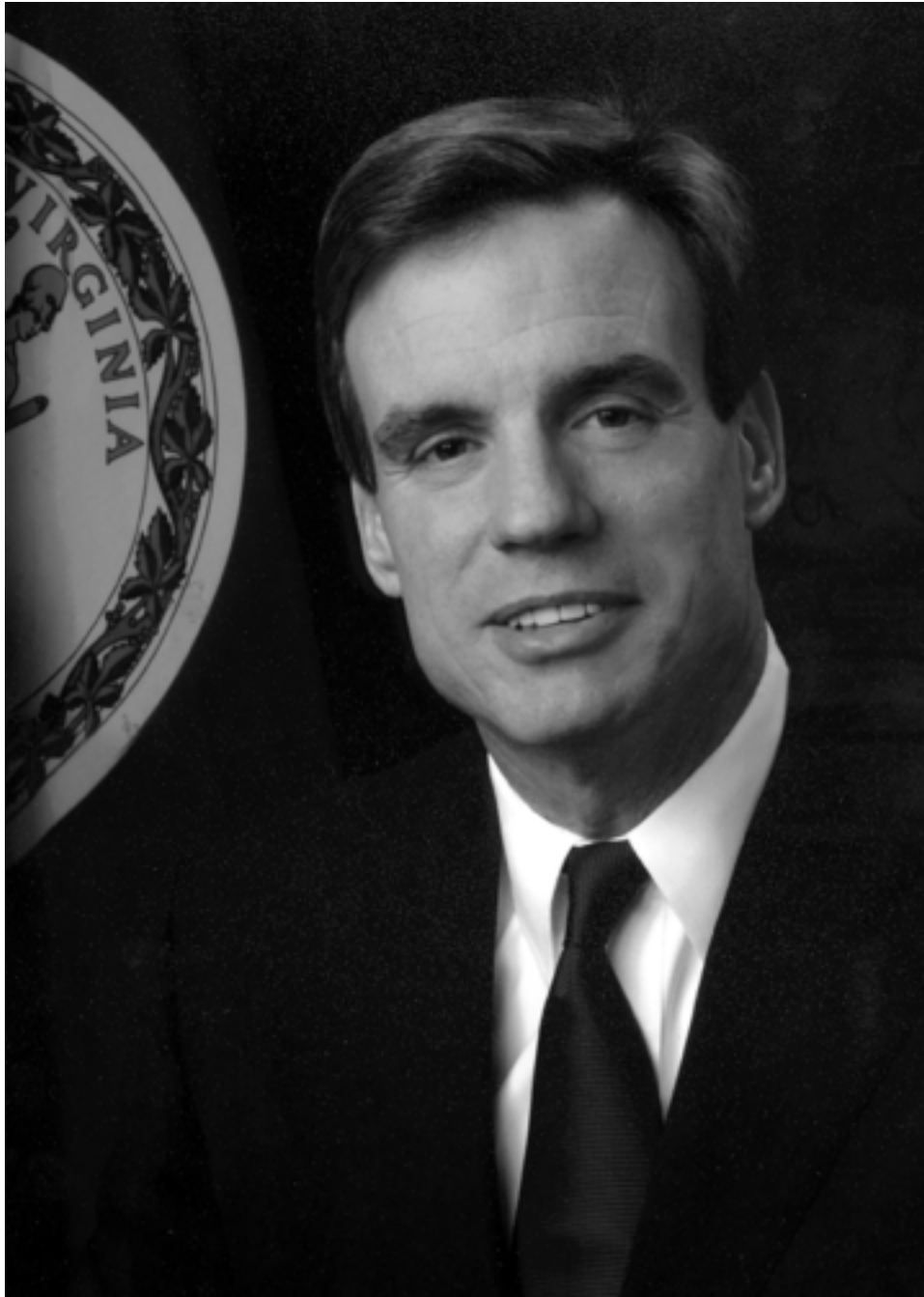


# THE FIRST 100 DAYS



**Mark R. Warner**  
69th Governor of Virginia

April 22, 2002



**Mark R. Warner**  
**Governor of Virginia**

## **A Letter from Governor Warner**

April 22, 2002

Dear Fellow Virginians,

I want to thank you for taking time to read this overview of our First 100 Days in office.

For me personally, this has been an exciting time, and I remain deeply grateful to the thousands of Virginians who entrusted me with the honor of serving as Governor.

Throughout my campaign, I promised to govern without regard for the partisan and regional divisions that have held us back for so long. I promised an administration that would be diverse, bipartisan, and accountable. My goals can be summed up in three words: Put Virginia First.

After 100 days, we have made significant progress toward that goal. We won passage of a carefully crafted state budget – avoiding the rancor that prevented a budget from even being passed last year. We have helped create more than 2,500 new jobs, many of them in areas that have experienced economic setbacks in recent months. We dispatched our Economic Crisis Strike Force to areas of Southside that need help. We have kept our commitment to trust the people to decide how best to help meet their transportation needs. We have launched a sweeping review of the very functions of state government, and we have created a new system of performance agreements for senior state officials. We have begun working on a long-term plan to increase funding for public education. We have enrolled more than 3,000 additional children – an increase of more than 10 percent – in to FAMIS, the federal-state plan to provide health insurance to children of working families. Perhaps most importantly, we have restored civility to the political process and brought a new era of cooperation between the General Assembly and the Governor's Office.

This report is designed to let you know how your state government is working. It is a work in progress. We want to hear your thoughts. As you read through this, if you have any questions or concerns, please give us a call at 804-786-2211 or send us an e-mail through our website, [www.governor.state.va.us](http://www.governor.state.va.us).

Thanks for your interest and your assistance in helping us Put Virginia First.

Sincerely,

Mark R. Warner

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## First 100 Days

### Secretary of Finance

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**John M. Bennett**  
*Secretary of Finance*

#### **VISION**

*World-class financial management*

#### **MISSION**

*The Finance Secretariat manages the financial resources and systems of the Commonwealth of Virginia in a manner that ensures the trust and confidence of our citizens and the financial community.*

### ***Overview***

The Secretary of Finance oversees five agencies:

- Department of Accounts
- Department of Planning and Budget
- Department of the State Internal Auditor
- Department of Taxation
- Department of the Treasury

These agencies manage the financial transactions of the Commonwealth, from collecting taxes to paying bills and distributing aid to localities. Their responsibilities include forecasting and collecting revenues, managing the Commonwealth's cash and investments, selling bonds and managing the state's capacity, administering the State Employee Fraud, Waste, and Abuse Hotline, training agency internal auditors, improving internal controls and efficiencies in agencies, and preparing and executing the Commonwealth's budget.

## ***Key Accomplishments***

From day one of his term, the Governor's top priority for finance has been restoring Virginia's fiscal integrity. When the Governor took office in January, he faced the challenge of making the difficult decisions to address a \$3.8 billion shortfall over the following 29 months. During the first 100 days, the administration has worked tirelessly to minimize the use of one-time budgetary fixes which would deepen the hole in future budgets while continuing to meet basic needs in education, homeland security, job creation, and preserving the safety net for Virginia's most vulnerable citizens. As a result of Governor Warner's focus on restoring Virginia's fiscal integrity, the following key accomplishments were made during the first 100 days of the administration.

**Addressing structural imbalance in the budget.** When Governor Warner took office, he confronted a budget challenge where state revenue growth was insufficient to cover the cost of the state's spending commitments. To address this structural imbalance, Governor Warner took immediate action, initiating a top-to-bottom review of state government to improve efficiency and eliminate redundancy in state services. He also proposed new restrictions on agency hiring, across-the-board cuts of three percent for the remainder of the current fiscal year, and reductions of seven percent for FY 2003 and eight percent for FY 2004, as well as specific reductions in certain programs. These actions balanced the state budget, and they went a long way toward bringing state spending commitments into line with expected growth in state revenues. These direct and immediate steps were necessary to avoid a prolonged budget shortfall that would have lasted well into future biennia.

**Restoring leadership to budgeting.** Last year, the state failed to pass a budget for the first time in Virginia history. This year, Governor Warner set a new, more cooperative tone and built a bipartisan coalition that won passage of a fiscally conservative budget. Finishing prior to the close of the regularly scheduled session, the budget conferees agreed on a plan that espoused many of the principles of the Governor's agenda items.

**Initiating an action plan to restructure the tax code.** In addition to continuing forward with his promise to conduct a thorough review of the tax structure in the Commonwealth, the Governor has also received approval from the legislature to participate in a multi-state Streamlined Sales Tax Project. The project is intended to develop a sales and use tax system that simplifies the administration and collection of these taxes. This is one of the first steps Governor Warner has taken to restructure the state tax code, and it allows Virginia to participate with other states in crafting model legislation.

**Addressing long-term cash flow problems.** In the face of disappointing economic performance, Governor Warner directed the Department of Accounts to undertake a monthly cash flow analysis and projection for the general fund, which supports the majority of essential state services. Governor Warner's budget amendments were also designed to carefully preserve adequate cash reserves, leaving an unappropriated balance of at least \$100 million in FY 2002, FY 2003, and FY 2004. This unappropriated balance provided a hedge against a downward revision of general fund revenues. In mid-

February, weak revenue collections forced a downward revision of the revenue forecasts, confirming the prudence of Governor Warner's actions.

### ***On the Legislative Front***

**Implementing long-term financial planning (HB 322/Del. Callahan & SB 344/Sen. Chichester).** In order to restore fiscal accountability, the General Assembly approved Governor Warner's plan to bring to state government the same common-sense, long-term financial planning that all successful businesses use. The Warner legislation requires the administration to submit a six-year financial plan to the legislature by the beginning of each regular General Assembly session. Long-term planning will help shape decisions and permit necessary and corrective action before problems become more severe. This long-term financial plan will expand the Commonwealth's awareness of options, potential problems, and opportunities.

**Investing in infrastructure (HB 99/Del. Callahan & SB 31/Sen. Chichester).** Every family knows that if you don't maintain the family home, it quickly falls into disrepair. Yet that's exactly what has happened to too many of Virginia's college and university buildings. The General Assembly approved a plan to invest in our campuses, and Governor Warner will work to implement it. This fall, voters will be asked to approve limited borrowing to fund critical repairs and upgrades in order to prepare our campuses to meet the educational needs of the 21<sup>st</sup> century. The bonds issued to secure this funding will be obtained at the lowest possible cost to the taxpayer thanks to the Commonwealth's coveted triple-AAA bond rating. Careful management of these bond issues will allow these critical investments to be funded, without jeopardizing Virginia's AAA bond rating, or limiting Virginia's future financial flexibility.

**Avoiding major new out-year expenses.** The Governor was successful in getting significant legislation through both houses of the General Assembly, and he also prevented other items from surfacing that would have had a negative impact on the financial situation of the Commonwealth – like spending commitments whose cost balloons years down the road. Neither the House of Delegates nor the Senate passed any of these measures in this difficult economic environment.

### ***Agency Initiatives & Accomplishments***

**Paying tax refunds on time.** In an effort to avoid the widespread late refunds that have occurred in recent years, individual income tax refunds during this processing season have been issued at a rapid pace. As of April 15, more than 1.5 million refunds have been issued – 310,000 more than last year. Almost 99 percent of all refunds have been issued within 12 days, and 99.96 percent have been issued within 30 days. Electronic filing has also increased significantly this year.

Through mid-April, the cumulative error rate on all returns coming into the Department of Taxation was seven percent – about half of the error rate at the same time last year. Improved processes to resolve errors as well as effective strategies to reduce the number of returns requiring a manual ‘error’ review have allowed the department to significantly reduce the inventory of unresolved tax returns and the time to issue refunds on error returns.

**Avoiding short-term budget fixes.** A substantial portion of the budget-balancing measures included in the budget that Governor Warner inherited involved one-time savings and one-time resources. Although these one-time actions would have provided a short-term solution, they would have led inevitably to further budget shortfalls and budget reductions in the future. During the 10 days that the General Assembly allowed for Governor Warner to prepare his budget amendments, the Department of Planning and Budget worked directly with the Governor to eliminate a number of the one-time, short-term fixes and replace them with fiscally sound and responsible solutions.

**Expanding cost savings and efficiency at the Department of Accounts.** Year-end agency payroll reconciliations were completed, and the 2001 calendar year was closed for payroll processing. Nearly 125,000 employee W-2s were printed accurately and in a timely manner. An equal number of employer W-2s were printed for agency archives, and the federal and state copies were filed electronically as required by law. New technology connects the Department of Accounts and the Department of Information Technology over an existing communication line, allowing the Department of Accounts to eliminate a fractional T-1 line. This resulted in a cost savings of \$419 a month, or more than \$5,000 a year.

**Saving money by training auditors internally and investigating fraud, waste, and abuse.** During the first 100 days, DSIA continued to provide to the Commonwealth’s internal auditors with leading-edge training. Through this arrangement and by bringing the instructors to Richmond, the department is able to provide the Commonwealth significant savings in training costs. The Department of State Internal auditor is also responsible for the administration of the State Employee Waste, Fraud, and Abuse Hotline. Since Inauguration Day, 59 Hotline investigations have been completed. Overall, approximately 37 percent of the cases investigated were substantiated. Another 17 percent were cases that were unsubstantiated but were found to have areas where internal financial controls or processes could be strengthened.

**Utilizing conservative revenue estimates.** The Governor began addressing the Commonwealth’s fiscal situation soon after his election when he appointed his Transition Finance Advisory Committee, composed of leading economists, Federal Reserve officials, and former top state finance officials. After receiving the January 2002 revenue results – his first revenue report as Governor – Governor Warner immediately took action by reducing the revenue projections by an additional \$616 million from fiscal years 2002 through 2004. This action set a prudent ceiling for expenditures in the budget development process and was based on a more realistic evaluation of future revenue prospects.

**Expanding customer service at the Department of the Treasury.** The department has been assisting the Governor in identifying the Commonwealth's needs as they relate to the financing proposals approved in the 2002 General Assembly. Through various debt issuing authorities, the department plays an integral role in the implementation of the financing packages passed by the 2002 General Assembly. The Treasury, in conjunction with the Virginia Workforce Council and the Secretary of Finance, has begun developing a program that will guarantee loans for persons enrolled in workforce training courses and in programs that would meet employers' technology workforce needs. Based on the current appropriation, \$2.5 million in such loans can be made. The Treasury has also implemented outreach projects that allow its Unclaimed Property Division to meet with the public face-to-face and answer questions, as well as search the Unclaimed Property System database for reported owners on site.